

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

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FOLLOWING REPEAT ACTION SAIGON INFO SINGAPORE OF 29 AUG 74

QUOTE :

E.O. 11652: N/A

TAGS: EFIN, VS, SN

SUBJECT: PROPOSES EXPORT CREDIT AGREEMENT

FOR EXIMBANK CHAIRMAN CASEY FROM TREASURY UNDER SECRETARY
BENNETT

1. WITH YOUR CONCURRENCE, I WOULD LIKE TO CABLE THE FOLLOW-
ING MESSAGE TO APPROPRIATE U.S. EMBASSIES.

2. YOUR STAFF BELIEVES PARAGRAPH 7.G. DOES NOT REFLECT OUR
UNDERSTANDING WITH SECRETARY SIMON, IN THAT IT SETS A 75
MILLION DOLLAR MINIMUM ON PROJECTS WHICH WOULD BE EXEMPT. I
BELIEVE PARAGRAPH 7.G. DOES ACCURATELY REFLECT OUR UNDER-
STANDING AND THAT WITHOUT THAT LIMITATION TO THE EXEMPTION
THERE IS NO POSSIBILITY OF ATTAINING AN AGREEMENT WITH THE
EC MEMBER COUNTRIES.

3. YOUR STAFF WOULD ALSO, IN EFFECT, PROHIBIT "MIXED
CREDITS", BY SUBJECTING THEM TO INTEREST RATE AND MATURITY
LIMITATIONS OF THIS AGREEMENT. PARAGRAPH 6.E. OF MY PROPO-
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SAL WOULD ALLOW "MIXED CREDITS" AS LONG AS THE AVERAGE INTEREST RATE AND MATURITY WERE WITHIN THE NORMAL RANGE OF OFFICIAL DEVELOPMENT ASSISTANCE TERMS. I BELIEVE WE SHOULD NOT OBJECT TO FINANCING WHICH MEETS DEVELOPMENT ASSISTANCE CRITERIA, AND, I DO NOT BELIEVE THE FRENCH WOULD BE PARTY TO AN AGREEMENT PROHIBITING THE USE OF "MIXED CREDITS".

4. YOU MIGHT ALSO NOTE THAT THE EIGHT PERCENT LIMIT ON INTEREST RATES, AS PROVIDED IN PARAGRAPH 2, WOULD APPLY TO: THE MIXED RATE WHEN THE EXPORT-IMPORT BANK PROVIDES BOTH A DIRECT CREDIT AND A GUARANTEE OF COMMERCIAL CREDITS; AND THE EXIMBANK RATE WHEN THE PRIVATE PORTION OF THE CREDIT IS NOT GUARANTEED BY THE EXPORT-IMPORT BANK.

5. BEGIN TEXT OF PROPOSED MESSAGE.

6. QUOTE: PLEASE INFORM RELEVANT OFFICES OF HOST GOVERNMENT THAT THE U.S. DELEGATION TO THE SCHEDULED EXPORT CREDIT CONFERENCE IN BRUSSELS ON SEPTEMBER 10 PLANS TO PROPOSE CONSIDERATION OF THE FOLLOWING DRAFT AGREEMENT. COMMENTS OR QUESTIONS WOULD BE WELCOMED PRIOR TO THE MEETING.

7. THE U.S. DELEGATION WILL INCLUDE TREASURY UNDER SECRETARY BENNETT AND EXIMBANK CHAIRMAN CASEY.

8. THE LIST OF DEVELOPING COUNTRIES CONTAINED IN THE APPENDIX OF THE AGREEMENT IS BELIEVED TO INCLUDE ALL RELEVANT COUNTRIES HAVING AN ESTIMATED PER CAPITA GNP OF LESS THAN 1,000 DOLLARS IN CALENDAR YEAR 1975.

9. TEXT OF THE DRAFT AGREEMENT FOLLOWS:

-----AGREEMENT ON EXPORT CREDITS-----

10. IN ORDER TO REDUCE THE DISPARITY BETWEEN THE TERMS OF GOVERNMENT-SUPPORTED EXPORT CREDITS AND THE TERMS OF CREDITS AVAILABLE IN PRIVATE MARKETS, THE SIGNATORY GOVERNMENTS HAVE AGREED AS FOLLOWS.

11. MINIMUM INTEREST RATES. EXCEPT AS PROVIDED IN PARAGRAPH 6, NO SIGNATORY WILL PROVIDE GOVERNMENT SUPPORT WHICH WOULD RESULT IN:

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(A) THE INTEREST RATE OR BLEND OF INTEREST RATES (NOT INCLUDING BANK CHARGES AND CREDIT INSURANCE FEES) PAID BY THE BORROWER ON GOVERNMENT-SUPPORTED EXPORT CREDIT OR CREDITS, WITH A MAXIMUM MATURITY OF MORE THAN THREE YEARS, FROM A PARTICULAR COUNTRY FOR A PARTICULAR PROJECT OR PRODUCT BEING LESS THAN EIGHT PERCENT; OR

(B) THE AVERAGE EFFECTIVE COST (INCLUDING BANK CHARGES AND CREDIT INSURANCE FEES) PAID BY BORROWERS ON GOVERNMENT-SUPPORTED EXPORT CREDITS, WITH A MAXIMUM MATURITY OF OVER THREE YEARS, FROM A PARTICULAR COUNTRY DURING A CALENDAR YEAR BEING LESS THAN NINE PERCENT.

12. MAXIMUM MATURITY OF CREDIT. EXCEPT AS PROVIDED IN PARAGRAPH 6, NO SIGNATORY WILL PROVIDE GOVERNMENT SUPPORT TO EXPORT CREDITS HAVING A MAXIMUM MATURITY (EXCLUSIVE OF GRACE PERIOD) OF MORE THAN:

(A) TEN YEARS IN THE CASE OF EXPORT CREDITS TO THE COUNTRIES WITH LOW PER CAPITA GNP LISTED IN APPENDIX A, AND

(B) EIGHT AND ONE-HALF YEARS IN THE CASE OF EXPORT CREDITS TO ALL OTHER COUNTRIES.

13. LEASING. NO SIGNATORY WILL PROVIDE DIRECT GOVERNMENT SUPPORT TO A CONTRACT TO LEASE EQUIPMENT TO BE USED PRIMARILY OUTSIDE ITS COUNTRY WHEN THE EFFECTIVE MINIMUM INTEREST RATE OR EFFECTIVE MAXIMUM MATURITY OF CREDIT IMPLIED BY THE LEASING CONTRACT WOULD NOT BE IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT.

14. LOCAL COST FINANCING. NO SIGNATORY WILL PROVIDE LOCAL COST FINANCING IN CONNECTION WITH OTHER FORMS OF EXPORT CREDIT SUPPORT ON TERMS MORE CONCESSIONARY THAN THAT PROVIDED BY THE UNITED STATES OR ANY EUROPEAN COMMUNITIES SIGNATORY SINCE THE BEGINNING OF 1974 WITH RESPECT TO INTEREST RATE, MATURITY, OR PROPORTION OF TOTAL CREDIT OR PROJECT COST SUPPORTED.

15. EXCEPTIONS. AS EXCEPTIONS TO THE PROVISIONS OF THE LIMITED OFFICIAL USE

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PRECEDING PARAGRAPHS, GOVERNMENT EXPORT CREDIT SUPPORT MAY BE GIVEN:

(A) TO THE EXTENT REQUIRED BY EXISTING AGREEMENTS OR COMMITMENTS, PROVIDED SUCH SUPPORT IS MADE AVAILABLE PRIOR TO THE PRESENTLY ESTABLISHED EXPIRATION DATES OF SUCH AGREEMENTS OR COMMITMENTS AND PROVIDED THAT INFORMATION ABOUT SUCH AGREEMENTS OR COMMITMENTS, INCLUDING THEIR EXPIRATION DATES, IS PROVIDED IN WRITING TO ALL OTHER SIGNATORIES WITHIN 30 DAYS OF THE SIGNATURE OF THIS AGREEMENT;

(B) TO THE EXTENT REQUIRED TO MEET GOVERNMENT-SUPPORTED EXPORT CREDIT TERMS THAT ARE MORE FAVORABLE TO THE IMPORTER THAN THOSE PERMITTED UNDER PARAGRAPHS 2 THROUGH 5 OF THIS

AGREEMENT, PROVIDED ALL OTHER SIGNATORIES ARE INFORMED
WITHIN 72 HOURS AFTER THE OFFERING OF GOVERNMENT EXPORT
CREDIT SUPPORT IN ACCORDANCE WITH THIS SUBSECTION;

(C) TO ASSIST IN THE EXPORT OF SHIPS, GROUND SATELLITE STA-
TIONS, SUBSONIC AIRCRAFT, AND NUCLEAR POWER PLANTS BY PRO-
VIDING LONGER MATURITIES FOR CREDIT, PROVIDED THAT SUCH
LONGER MATURITIES ARE NOT IN VIOLATION OF THE TERMS OF AN

OECD SECTORAL AGREEMENT TO WHICH THE SIGNATORY IS A PARTY;

(D) TO FACILITATE THE SALE OF MILITARY EQUIPMENT AND
SERVICES;

(E) TO PROVIDE OFFICIAL DEVELOPMENT ASSISTANCE WHEN THE RE-
SULTING INTEREST RATE OR BLEND OF INTEREST RATES PAID BY
THE BORROWER OF THE ENTIRE PACKAGE OF GOVERNMENT-SUPPORTED
CREDIT FOR A PARTICULAR PROJECT OR PRODUCT WILL NOT EXCEED
FOUR PERCENT AND THE FINAL REPAYMENT INSTALLMENT WILL FALL
DUE IN NOT LESS THAN 16 YEARS;

(F) TO THE EXTENT THAT THE INTENTION TO PROVIDE GOVERNMENT
EXPORT CREDIT SUPPORT NOT OTHERWISE IN ACCORDANCE WITH THE
TERMS OF THIS AGREEMENT HAS BEEN NOTIFIED TO ALL OTHER SIG-
NATORIES AND NO SIGNATORY HAS EXPRESSED AN OBJECTION BY
TELEX WITHIN 30 DAYS OF DISPATCH OF SUCH NOTIFICATION, AND;

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(G) TO PROJECTS INVOLVING THE IMPORTATION OF AT LEAST 75
MILLION DOLLARS OF GOODS AND SERVICES PROVIDED, HOWEVER,
THAT THE INTEREST RATE TO THE BORROWER (NOT INCLUDING BANK
CHARGES AND CREDIT INSURANCE FEES) IS NOT BELOW NINE PER-
CENT AND PROVIDED THE MAXIMUM MATURITY OF THE CREDIT DOES
NOT EXCEED 15 YEARS.

16. ADMINISTRATIVE PROVISIONS. (A) THIS AGREEMENT WILL
TAKE EFFECT UPON SIGNATURE BY THE NINE MEMBER COUNTRIES OF
THE EUROPEAN COMMUNITIES, JAPAN, CANADA AND THE UNITED
STATES, AND MAY BE PARTICIPATED IN BY ANY OTHER COUNTRY
UPON SIGNATURE.

(B) ANY SIGNATORY TO THIS AGREEMENT WILL BE ENTITLED TO
WITHDRAW BY PRIOR WRITTEN NOTIFICATION TO ALL OTHER
PARTIES OF AT LEAST 45 DAYS.

(C) EACH SIGNATORY WILL, WHEN REQUESTED BY ANOTHER SIGNA-
TORY TO THIS AGREEMENT, PROVIDE TIMELY INFORMATION ON THE
FINANCING TERMS BEING PROVIDED FOR ANY OFFICIALLY SUPPORTED
EXPORT CREDIT, IT BEING UNDERSTOOD THAT SUCH INFORMATION IS

FURNISHED ON A CONFIDENTIAL BASIS.

(D) THE PROVISIONS OF THIS AGREEMENT SHALL BE REVIEWED ANNUALLY AT A MEETING OF ALL SIGNATORIES. SIGNATORIES MAY ALSO AT ANY TIME PROPOSE AMENDMENT OF THIS AGREEMENT IN ORDER TO DEAL WITH NEW DEVELOPMENTS IN THE INTERNATIONAL ECONOMIC SITUATION. END QUOTE. KISSINGER
UNQUOTE INGERSOLL

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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